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OVERLORD
FINANCIAL INC.

2003 ANNUAL REPORT

Operation Overlord, the code name for World War II's Battle of Normandy or D-Day. A monumental turning point in WWII, this battle forever changed history.

Overlord Financial Inc. aims for the same level of brilliance in strategy and execution that propelled the Allies to victory on the beaches of Normandy.



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Notice of Annual General & Special Meeting

The Annual General and Special Meeting of Overlord Financial Inc., will be held at 10:30 a.m., Friday, May 14, 2004 at the Calgary Petroleum Club, 319 – 5th Avenue S.W., Viking Room

Chairman's Letter

The year 2003, Overlord's second year of operations, resulted in significant progress in the development of Overlord as an aggressive specialized investment management company. The first two years of operations can best be described as a research and development period during which time your management team performed an extensive review of potential markets for the investment vehicles under development. As outlined at the time of the creation of Overlord, the primary mission continues to be to structure, develop, market and actively manage a new generation of investment products backed essentially by Canadian oil and gas properties, securities and/or Income Fund units that appeal to a broad range of investors in Canada and other jurisdictions including the United States, Europe and Asia. The development and evaluation phase of 2003 required extensive consultations with a large number of prospective investors, stock brokers, distributors and agents in the major financial centers of the world.

I am pleased to report that the market evaluation and product development phase ended in the latter part of 2003. Management reaffirmed its investment objectives and started the implementation of the business plan through the formation of eight subsidiaries dedicated to the final structuring and marketing of specific investment products including Juno Canada Holdings Ltd., Overture Capital (2004) Limited Partnership, PenMax (2004) Limited Partnership and DebMax (2004) Canadian Corporation. Draft prospectuses have been prepared for each of these products and the first closing is anticipated in the early part of April 2004. Your management is in negotiations with brokers and distributors in order to offer these products in the next few months, both in Canada and offshore. In view of the latest developments, management is confident that the first products will generate positive cash flow in the second half of 2004.

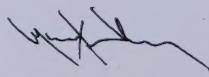
The year 2003 was also marked by significant management and Board changes. The emphasis on building a cash flow generating family of energy related investment funds as opposed to the venture capital approach led to changes in management in the latter part of 2003. Overlord has identified a number of potential candidates as partners and employees that have excellent skills in oil and gas and marketing areas. Management has also strengthened the Board of Directors starting with the elections in 2004 of Mr. Jean-Guy Lambert, Mr. Michael Fabi and Mr. Jean Desmarais. The new Board consists of highly skilled, well-respected, and well-connected individuals that will provide synergy with the Overlord management team and the investors.

During 2003, Overlord adopted comprehensive Corporate Governance policies and procedures to ensure continuous disclosure to all shareholders of all significant facts affecting the affairs of your corporation. As well, the management and the Board of Directors have established two new committees of the Board, a Corporate Governance Committee and a Compensation Committee to supplement the Audit Committee. The members of all Committees of the Board are composed of a majority of independent Directors and their duties have been clearly defined.

I am pleased to report that early in 2004 Overlord completed the development of the Juno Canada/ Wisevest Income Fund structure. Under the terms of the private placement memorandum, the Juno/Wisevest securities will be issued continuously with the first closing expected in April 2004 and additional closings scheduled quarterly in 2004 and monthly afterward.

The combination of strong management and improved business conditions augurs well for Overlord in the near future. The year 2004 will be a year of significant progress towards the Company's goal of developing structured investment products for a wide spectrum of investors in Canada and abroad.

In closing I would like to thank the directors, officers and employees of the Corporation for their work and commitment to the success of Overlord.



Marcel J. Tremblay
Chairman, President
and Chief Executive Officer



Corporate Mission

Overlord was created to provide all classes of investors in Canada and throughout the world with a new generation of investment vehicles offering superior rates of return, preservation of capital, liquidity and capital appreciation.

Overlord's Chairman, President and Chief Executive Officer, Mr. Marcel Tremblay, has extensive experience and expertise in key sectors of the Canadian investment market, as well as the oil and gas industry. Mr. Tremblay was the first to develop the income/royalty trust structure in 1985 with Enerplus Resource Corporation. As the creator of Overlord Financial Inc., Mr. Tremblay has developed structured investment products backed by Canadian income funds and royalty trusts for investors around the globe, including the United States, the United Kingdom, Asia and South America. These products will provide a stable stream of cash flow to support the development of a fully integrated management company serving both institutional and individual investors throughout the world. As well, Overlord plans to take advantage of Mr. Tremblay's extensive oil and gas expertise by marketing and managing a structure that provides institutional and retail investors with monthly cash distributions from investments in high quality oil and gas properties.

Market Conditions

For the past three years, the Canadian oil and gas industry has enjoyed an unprecedented period of prosperity. Crude oil and natural gas prices remained at very high levels throughout this period. Mergers and acquisition activities continued at an increased level as a result of large American companies continuing the 2001 trend of buying practically all intermediate-sized companies in the Canadian oil and gas industry at substantial premiums over the market price. A number of the larger oil and gas companies were also absorbed during this three year record buying spree. Throughout the period, the market for oil and natural gas properties, a key market for Overlord, was an ideal sellers' market. The price for properties reached unprecedented levels as a result of the fierce competition between the Americans who were intent on buying anything available and the oil and gas royalty trusts having to replace their depleting reserves. This trend continued throughout most of 2003, with purchase prices in the \$40,000 to \$65,000 per daily barrel of oil equivalent range. Late in 2003, the feeding frenzy paused. Common to past historical cycles, several American companies indicated they were interested in selling their Canadian holdings to pursue opportunities in other parts of the world. As a result, Overlord management expects 2004 to be a year of reasonable buying opportunities.

The New Structure

To capitalize on opportunities arising from anticipated changes in the markets and to accelerate the development and marketing of the new investment products, Overlord has developed a corporate structure designed to increase the effectiveness and efficiency of Overlord's performance as a manager of a family of specialized investment funds. The Company has adopted a "profit center units" strategy whereby a series of subsidiaries controlled by Overlord have been established to market and manage specific investment vehicles tailored to well defined investor groups. Under this formula, Overlord will have the ability to offer several products at the same time, each operating separately from the other. This will allow revenue and/or profit sharing arrangements to be structured to motivate Overlord's employees. The new structure of subsidiaries will be grouped under three divisions: fixed income products, equities and oil and gas operations. Each division will be led by qualified individuals with expert knowledge in each such specialized division within Overlord.



Product Development

PMX Management Inc. is a private Canadian Company formed to act as the management company responsible for the development, marketing and closing of a series of Pension Resource Corporations, under the name of Penmax (2004) Pension Resource Corporation, that will invest in proved producing oil and natural gas properties located in Western Canada.

Overture Capital Partners Ltd. is a private Canadian Company formed to act as General Partner and manager of a series of limited partnerships, under the name Overture Limited Partnership, that will evaluate, analyze, acquire and manage a portfolio of oil and gas and energy stocks and other securities.

PMX Management Services Corp. is a private Canadian Company formed to act as the General Partner and Manager of a series of limited partnerships, under the name PenMax (2004) Limited Partnership, that will invest in proved producing oil and gas properties located in Western Canada.

Juno Canada Holdings Ltd. is a private Canadian Company created to issue debentures to one or more offshore fund clients. Under an exclusive investment management contract with an arms-length offshore fund owned and managed by third parties, Juno will commit to issue two classes of debentures for cash received from the offshore fund.

Debmax Canadian Corp. is an adoption of the Juno structure designed for Canadian retail and institutional investors. Debmax will issue units comprised of secured debentures and unsecured junior debentures and free shares. Debmax will invest the proceeds of the debentures in Units of the Wisevest Income Fund.

Wisevest Income Fund has been created as a private trust income fund of funds that will issue Units to investors on a Private Placement Memorandum basis. **PortfolioCo.** is a private Canadian Company corporation responsible for the management of the Wisevest Income Fund portfolio. **AdminCo.** is a private Canadian Company established to provide administrative duties for the Wisevest Income Fund.

Corporate Governance

Philosophy

Overlord Financial Inc.'s Board of Directors and Senior Management consider good corporate governance to be central to the effective and efficient operation of the Company. Overlord's approach to corporate governance addresses not only all issues identified by the TSX Venture policies, but additional issues as they arise by virtue of the operations and growth of the Company itself.

Reporting Governance Policies and Initiatives to Shareholders

Overlord will attain continuous disclosure of all significant facts, policies and procedures to all shareholders simultaneously. Disclosure to be reported in the annual report include the Company's governance philosophy and practices where these standards incorporate or exceed regulatory requirements, as well as, full disclosure of the actual compensation and shares owned by each director in the proxy circular.

Conflict of Interest Policy

Overlord expects all Employees to exercise good judgment and the highest ethical standards in their private activities outside their employment. In particular, every Employee has an obligation to avoid any activity, agreement, business investment or interest, or other situation which is in conflict with the Company's interests or is an interference with the Employee's duty to serve the Company at all times to the best of his or her ability. To implement this principle and to establish clear guidelines, a Conflict of Interest Policy has been adopted and is signed by Employees annually.

The Board of Directors

Overlord's Board of Directors consists of seven directors, of which a majority are independent meaning that the director is independent of management and has no material relationship with or financial benefit from the Company other than share ownership. Directors are required to hold a minimum number of shares to ensure their interests are aligned with Shareholders. Disclosure of share ownership changes, if any, by each director is disclosed annually.

Independence of Committees

The majority of members of the Governance, Compensation and Audit Committees are and will be independent and as such, shall be free from any relationship that may interfere with the exercise of his or her judgment as a member of such Committee. Overlord has appointed a majority of independent directors to the Committees.

Corporate Governance Committee

The Corporate Governance Committee is comprised of three directors of the Company, the majority of whom are independent of the Company.

The overall mandate of the Committee is to ensure the interests of the Board and management are aligned with those of the Shareholders. The Committee will meet at such intervals as it determines necessary to carry out its duties and responsibilities. The Board of Directors appoints such Committee members annually at the meeting following each Annual General Meeting of the Company.

Duties of the Corporate Governance Committee

1. Preparation of the Company's response to the TSX Venture policies when required and informing the Board in the event of any differences between the Company's governance policies and the recommended governance policies of the TSX Venture Exchange.
2. Development and monitoring of the Company's general approach to corporate governance issues as they may arise from time to time.
3. Proposing changes as necessary to respond to particular governance recommendations or guidelines from regulatory authorities and ensuring that all appropriate governance systems remain in place and are periodically reviewed for effectiveness.
4. Ensuring all members of the Board of Directors have been informed of, and are aware of, their duties and responsibilities as a Director of the Company.
5. Ensuring the Company has adequate policies and procedures to allow the Company to meet all of its continuous disclosure requirements.
6. Ensuring that the Company has adequate policies and procedures to identify and manage the principal risks of the Company's business.
7. Ensuring the Board of Directors annually reviews organizational structure and succession planning matters as well as the Company's strategic planning process.
8. Annually reviewing areas of potential personal liability of Directors and ensuring reasonable protective measures are in place.



Compensation Committee

The Compensation Committee is comprised of three members, the majority of whom are independent of the Company. The Committee will assist the Board of Directors in all matters relating to compensation and regulatory requirements associated with executive compensation and policies. The Committee will meet a minimum of once a year to review compensation policies, plans and arrangements. The members are appointed by the Board at the first meeting of the Board following each Annual General Meeting of the Company.

Duties of the Compensation Committee

1. Review compensation policies, plans and make recommendations to the Board.
2. Review and recommend for Board approval, the compensation to be paid to executives.
3. Ensure compliance with all securities regulatory requirements that govern executive compensation.

Audit Committee

The Audit Committee is comprised of three members, the majority of whom are independent as determined by the Board of Directors. The Committee will assist the Board in fulfilling its responsibility to ensure an external audit is properly planned and performed. As well, the Committee will ensure compliance with legal and regulatory requirements, financial reporting and disclosure. Under such leadership, the Audit Committee is responsible for having transparent and understandable financial statements prepared that reflect fairly the financial affairs of the Company. The Committee shall meet a minimum of four times per year or at such intervals as it determines necessary to carry out its duties and responsibilities.

Members shall be appointed by the Board at the first meeting of the Board following each Annual General Meeting of the Company.

Duties of the Audit Committee

1. Conduct an audit planning meeting prior to the annual external audit of the Company.
2. Review and approve audit engagement letters, audit plan and fees;
3. Conduct a Committee meeting subsequent to the audit examination and review any significant findings;
4. Ensure the Company's annual financial statements are presented fairly in accordance with generally accepted accounting principles and recommend approval to the Board;
5. Ensure the information contained in the following financial publications is not significantly incomplete, misleading or erroneous:
 - a. Annual Report to Shareholders;
 - b. Management Discussion and Analysis ("MD&A"); and
 - c. Quarterly Financial Statements.
6. Review the adequacy of the financial reporting system and internal controls;
7. Perform such additional activities within the scope of its responsibilities which the Committee or the Board deems necessary or appropriate.

OVERLORD

Management Discussion & Analysis

The following discussion and analysis should be read in conjunction with Overlord's Financial Statements and accompanying Notes for the year ended December 31, 2003. Information provided herein effective April 12, 2004 is based on assumptions regarding future events and results, which may vary.

Overview

Overlord Financial Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta). During the fourth quarter of fiscal 2001, the Company changed from an oil and gas exploration company to a management and investment company. The Company's new business plan focuses on managing energy-related investment funds and assets.

Investments

During 2003, Overlord purchased 651,190 shares for \$727,500 of Exalta Energy Inc., a private oil and gas exploration company. In 2003, Exalta experienced significant production growth and has an abundant inventory of drilling opportunities. Overlord also purchased 1,333,333 shares at \$0.30 per share of Sonomax Hearing Healthcare Inc. for \$400,000. Sonomax, a public company has developed and is marketing a revolutionary hearing protection device that combats noise-induced hearing loss in the industrial workplace. During 2004, Sonomax traded between \$0.60 - \$0.80 per share.

Cash Position and Operations

The Company's cash position has been reduced to \$3.2 million at December 31, 2003 as a result of general and administrative expenses of \$1.5 million offset by advisory fee income from Exalta Energy Inc. of \$45,052 and interest income earned on money market investments of \$120,553. Increase in salaries and benefits expenses is due to the addition of three employees at the beginning of 2003. As of September 1, 2003, salaries for certain senior executive positions were suspended to reduce G&A expenses. The increase in professional fees represents legal expenses mainly associated with the development of the Overture, Penmax and Juno/Wisevest products.

Financing

During 2003, 1,050,000 stock options were exercised at \$0.20 per share for proceeds of \$210,000. As of December 31, 2003 there are no stock options outstanding. The Company has sufficient working capital to meet liquidity requirements for at least one year.

Summary of Quarterly Information

	2003				2002			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Interest income and advisory fees	\$ 49,055	\$ 68,856	\$ 26,119	\$ 21,575	\$ 33,732	\$ 35,821	\$ 41,070	\$ 222,771
G&A expenses and project costs	\$ (461,674)	\$ (318,039)	\$ (420,156)	\$ (377,630)	\$ (280,570)	\$ (288,792)	\$ (381,579)	\$ (360,047)
Loss from discontinued operations	\$ —	\$ (2,792)	\$ (266)	\$ 702	\$ (382)	\$ (1,532)	\$ (1,860)	\$ (102,719)
Net loss for period	\$ (412,619)	\$ (251,975)	\$ (394,303)	\$ (355,353)	\$ (247,220)	\$ (254,503)	\$ (342,369)	\$ (239,995)

Fourth quarter 2003 expenses and project identification costs decreased from the prior quarter as the result of management's decision to suspend salaries of certain senior executives in order to reduce future general and administration costs.

Selected Annual Information

	2003	2002	2001
Total Revenues	\$ 165,605	\$ 333,394	\$ 149,537
Net Loss	\$ (1,414,250)	\$ (1,084,087)	\$ (368,937)
Net Loss per Share	\$ -0.037	\$ -0.028	\$ -0.012
Total Assets	\$ 5,057,121	\$ 6,259,079	\$ 7,300,570

Increase in 2002 revenues is due mainly to advisory fees received from ExAlta Energy Inc. for services provided with respect to private placement share issuances and advisory fees received from Keltic Petrochemicals. Increases in net loss and decreases in total assets from 2001 to 2003 is due mainly to office rent, salaries and legal expenditures required to develop Overlord's financial products.

Commitments and Related Party Transactions

The Company is committed to leased office space with future base rent payments of \$100,554 and \$50,277 for 2004 and 2005 respectively. The Company is also required to pay their proportionate share of operating and property tax costs for the premises. Details of related party transactions are outlined in Note 9 in the Notes to the Consolidated Financial Statements.

Subsequent Events

In January 2004, the Company strengthened the Board of Directors with the elections of Mr. Jean-Guy Lambert and Mr. Michael Fabi. As well, Mr. Jean Desmarais was elected to the Board in April 2004. The details of other subsequent events have been outlined in Note 12 in the Notes to the Consolidated Financial Statements.

Business Objectives and Milestones

The Company is planning to issue Juno debentures in the second quarter of 2004 and additional closings are expected in the second half of 2004 and monthly thereafter. As well, the Company's business plan calls for the purchase of oil and gas proven producing properties on behalf of institutional and retail investors in the second half of 2004.

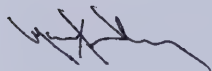
Management's Responsibility for Financial Reporting

The accompanying financial statements and all information in the annual report are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

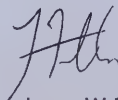
BDO Dunwoody LLP, an independent firm of Chartered Accountants, has been appointed by the shareholders at the Company's most recent Annual General Meeting, to examine the financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion.

The Audit Committee of the Board of Directors, which is comprised of a majority of independent directors, has reviewed the financial statements including notes thereto, with management and BDO Dunwoody LLP. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.



Marcel J. Tremblay

Chairman, President & Chief Executive Officer
March 8, 2004



Larry W. Titley

Chief Financial Officer

Auditors' Report

To the Shareholders of Overlord Financial Inc.

We have audited the consolidated balance sheets of Overlord Financial Inc. as at December 31, 2003 and 2002, and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Calgary, Alberta
March 8, 2004

Consolidated Balance Sheets

As at December 31

2003

2002

Assets

Current

Cash and cash equivalents	\$ 3,192,794	\$ 4,784,450
Short term investment	—	600,000
Accounts receivable	60,645	183,748
	<u>3,253,439</u>	<u>5,568,198</u>

Prepaid expenses	52,231	52,536
Long-term investments, at cost (Note 3)	1,627,499	500,000
Property and equipment (Note 4)	<u>123,952</u>	<u>138,345</u>
	\$ 5,057,121	\$ 6,259,079

Liabilities and Shareholders' Equity

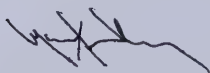
Current

Accounts payable and accrued liabilities	\$ 40,833	\$ 38,541
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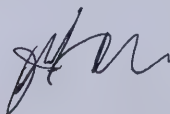
Shareholders' equity

Share capital (Note 7)	9,963,248	9,753,248
Contributed surplus	183,396	183,396
Deficit	<u>(5,130,356)</u>	<u>(3,716,106)</u>
	<u>5,016,288</u>	<u>6,220,538</u>
	\$ 5,057,121	\$ 6,259,079

Approved on behalf of the Board:



Marcel Tremblay



John Burns

Consolidated Statements of Operations and Deficit

For the years ended December 31	2003	2002
Revenue		
Advisory fees	\$ 45,052	\$ 184,994
Interest income	120,553	148,400
	<u>165,605</u>	<u>333,394</u>
Expenses		
Amortization	33,183	41,120
Salaries and benefits	620,203	401,378
Professional fees	284,875	29,101
Rent	222,809	225,582
Travel	211,258	178,961
Office	74,347	91,498
Consulting	49,317	63,256
Business promotion	26,956	45,987
Shareholder expenses	20,523	21,666
Business taxes	13,433	15,151
	<u>1,556,904</u>	<u>1,113,700</u>
Loss from continuing operations before other items	<u>(1,391,299)</u>	<u>(780,306)</u>
Other		
Project identification costs (Note 2(j))	<u>(20,595)</u>	<u>(197,288)</u>
Loss from continuing operations	<u>(1,411,894)</u>	<u>(977,594)</u>
Loss from discontinued operations (Note 8)	<u>(2,356)</u>	<u>(106,493)</u>
Net loss for the year	<u>(1,414,250)</u>	<u>(1,084,087)</u>
Deficit, beginning of year	<u>(3,716,106)</u>	<u>(2,632,019)</u>
Deficit, end of year	\$ <u>(5,130,356)</u>	\$ <u>(3,716,106)</u>
Loss per share	\$ (0.037)	\$ (0.028)
Weighted average number of shares	<u>38,713,021</u>	<u>38,640,930</u>

No diluted loss per share has been disclosed as its effect would be antidilutive.

Consolidated Statements of Cash Flows

For the years ended December 31

2003

2002

Cash flows from operating activities

Loss from continuing operations	\$ (1,411,894)	\$ (977,594)
Adjustments for:		
Amortization of property and equipment	33,183	41,120
Cash flow from continuing operations	(1,378,711)	(936,474)
Loss from discontinued operations	(2,356)	(106,493)
Write down of assets held for disposal	—	107,379
Cash flow from discontinued operations	(2,356)	886
Cash flow from operations	(1,381,067)	(935,588)
Changes in non-cash working capital balances		
Accounts receivable	123,103	(152,172)
Accounts payable	2,292	(2,404)
	(1,255,672)	(1,090,164)

Cash flows from investing activities

Prepaid expenses	305	12,357
Acquisition of property and equipment	(18,790)	(160,639)
Investment in private company, long-term	(727,500)	(500,000)
Investment in public company, long-term	(399,999)	—
Short-term investment	600,000	(600,000)
	(545,984)	(1,248,282)

Cash flow from financing activity

Proceeds from exercise of stock options	210,000	45,000
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Decrease in cash and cash equivalents	(1,591,656)	(2,293,446)
Cash and cash equivalents, beginning of year	4,784,450	7,077,896
Cash and cash equivalents, end of year	\$ 3,192,794	\$ 4,784,450

Notes to Consolidated Financial Statements

1. Nature of Operations

Overlord Financial Inc. (the "Company") is a public company incorporated under the Business Corporations Act (Alberta) that was engaged in production, development and exploration of oil and natural gas in Canada. During 2001 the Company discontinued its oil and gas activities and implemented a new business plan. The Company's future business focuses on managing energy-related investment funds.

2. Significant Accounting Policies

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Consolidation

The consolidated financial statements included the accounts of the Company and its wholly owned subsidiary from the date of acquisition. That subsidiary is inactive.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less.

(c) Long-term investments

Long-term investments are carried at the lower of cost and market value. Investments are only written down if there is a permanent decline in market value. The assigned valuation of private companies held in the investment portfolio is determined by a recent third party transaction when available. If a recent transaction has not occurred, valuation is determined in accordance with guidelines established that are based upon generally accepted valuation parameters.

(d) Property and equipment

Property and equipment are recorded at cost. Amortization, based on the estimated useful life of the assets to their residual value, is as follows:

Office equipment, furniture and fixtures	- 20% declining balance
Computer	- 30% declining balance
Leasehold improvements	- straight line over the term of the lease
Artwork	- Nil

(e) Revenue

Advisory revenue is recognized upon the completion of agreement milestones. Investment income is recognized when, a dividend is declared and when, an investment is sold.

Notes to Consolidated Financial Statements

2. Significant Accounting Policies - continued

(f) Financial instruments

The Company carries a number of financial instruments as detailed on the balance sheet. Unless otherwise disclosed it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

(g) Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. The treasury stock method is used to determine the effect of dilutive instruments, in accordance with new standards approved by the Canadian Institute of Chartered Accountants. Diluted loss per share has not been disclosed, as the effects of share conversion and the exercise of options would be anti-dilutive.

(h) Future income taxes

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for income taxes. The new method was applied retroactively without restatement of the prior years. Under the recommendations, the liability method of tax allocation is used, based on differences between financial reporting and tax bases of assets and liabilities. No future income tax asset has been recorded, as the ultimate utilization is uncertain.

(i) Stock-based compensation plan

Effective January 1, 2002, the Company adopted the recommendations of the CICA Handbook Section 3870, Stock-based compensation and stock-based payments. This section requires that direct awards of stock and liabilities based on the price of the common stock be measured at fair value at each reporting date, with the change in fair value reported in the statements of operations and deficit, and encourages, but does not require, the use of the fair value method for all other types of stock-based compensation plans. In accordance with the recommendations the Company has elected to use the intrinsic method to recognize stock based compensation to employees. None of the company's plans qualify as direct awards of stock or as plans that create liabilities based on the price of the Company's stock, and as a result, the implementation of the section has had no current impact on financial statements.

In 2003, the Company adopted the new recommendation of the CICA Handbook to record the fair value of all compensation expenses when stock or stock options are issued after January 1, 2003 under the plan.

No options have been issued after January 1, 2003.

(j) Project identification cost

The Company incurred expenses related to the set up and financing of an income fund. The financing contemplated in 2002 was not completed. While it is management's intention to pursue this project, there are no firm commitments at December 31, 2003, and therefore these costs have been written off.

Notes to Consolidated Financial Statements

3. Long-Term Investments

	2003	2002
1,333,333 Common shares of Sonomax Hearing Healthcare Inc. (less than 5% of voting shares) (quoted market value - \$840,000)	\$ 399,999	\$ -
1,151,190 (2002 - 500,000) Common shares of ExAlta Energy Inc. (less than 5% of voting shares) (market value - \$1,496,548 based on recent transaction price)	1,227,500	500,000
	<u>\$ 1,627,499</u>	<u>\$ 500,000</u>

4. Property and Equipment

	2003			2002		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer	\$ 52,894	\$ 22,820	\$ 30,074	\$ 41,353	\$ 12,406	\$ 28,947
Leasehold	87,295	36,832	50,463	82,945	20,736	62,209
Furniture & Fixtures	37,699	23,289	14,410	37,699	19,686	18,013
Office Equipment	39,320	25,592	13,728	36,421	22,522	13,899
Artwork	15,277	-	15,277	15,277	-	15,277
Total Property and Equipment	<u>\$ 232,485</u>	<u>\$ 108,533</u>	<u>\$ 123,952</u>	<u>\$ 213,695</u>	<u>\$ 75,350</u>	<u>\$ 138,345</u>

5. Loan Facility

The Company has a direct revolving reducing loan facility of up to \$150,000 (2002 - \$150,000). The loan bears interest at prime plus one quarter percent per annum, and is secured by hypothecation of a \$2,000,000 demand debenture, creating a first floating charge over all the assets and undertaking of the Company.

Notes to Consolidated Financial Statements

6. Income Taxes

The income tax provision on the statements of operations and deficit differs from the expected income tax provision as follows:

	2003	2002
Expected recovery at an effective rate of 39%	\$ (551,550)	\$ (422,794)
Add (deduct) effects of:		
Write off of petroleum and natural gas and related assets	—	41,878
Unrecognized benefit future tax assets	546,400	370,725
Other permanent differences	5,150	10,191
	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2003, the Company had approximately \$2,716,555 (2002 - \$1,348,700) of non-capital loss carryover balances, which commence expiring in 2005. In addition, the Company has capital cost pools, resource pools and deferred financing cost pools of \$171,600 (2002 - \$152,800) in excess of carrying values to deduct against future taxable income. No future tax asset has been recorded for these available losses and tax pools as their ultimate utilization is not more likely than not.

7. Share Capital

- (a) Authorized
Unlimited number of Common voting shares

- (b) Issued
Common shares

	2003		2002	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	37,979,459	\$ 9,753,248	45,921,783	\$ 9,708,248
Shares cancelled	—	—	(8,167,324)	—
Stock options exercised	1,050,000	210,000	225,000	45,000
Balance, end of year	<u>39,029,459</u>	<u>\$ 9,963,248</u>	<u>37,979,459</u>	<u>\$ 9,753,248</u>

In 2002, there were 8,167,324 shares being held in escrow with respect to a seismic acquisition completed by the Company in prior years. The escrow agreement resulted from a business combination effected in 1997 and provided for the release of one share for every \$0.435 of future expenditures incurred on the properties to which the seismic data acquired relates. Any shares remaining in escrow on the fifth anniversary of the escrow agreement (January 31, 2002) were to be cancelled within six months. All the remaining shares held in escrow were cancelled in 2002. These shares were initially issued to two directors of the Company, one of who resigned when the financing was completed in 2001. As these shares were forfeited in conjunction with the change in business undertaken by the Company and the financing completed in 2001 no value has been attributed to the shares upon their cancellation. After the cancellation of these shares, the Company had 37,979,459 shares issued and outstanding.

Notes to Consolidated Financial Statements

7. Share Capital - continued

(c) Options

The Company has granted stock options to directors, officers and employees of the Company as follows (all stock options are fully vested):

	Number of Shares	Option Prices per Share	Weighted Average Exercise Price
Options outstanding, Dec. 31, 2001	1,275,000	\$ 0.20	\$ 0.20
Options exercised	(225,000)	\$ 0.20	\$ 0.20
Options outstanding, Dec. 31, 2002	1,050,000	\$ 0.20	\$ 0.20
Options exercised	(1,050,000)	\$ 0.20	\$ 0.20
Options outstanding, Dec. 31, 2003	—	\$ —	\$ —

As of December 31, 2003, there were no stock options outstanding.

The following table summarizes information about the stock options outstanding at December 31, 2002:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable
<u>1,050,000</u>	\$0.20	\$0.20	4 months	<u>1,050,000</u>	\$0.20

Notes to Consolidated Financial Statements

8. Discontinued Operations

The oil and gas related activities were discontinued effective October 9, 2001. The net loss from discontinued operations consists of:

	2003	2002
Oil and gas sales, net of royalties	\$ 2,039	\$ 3,757
Adjustment on payable	—	3,334
Operating costs	(4,395)	(6,205)
Write down of assets held for disposal	—	(107,379)
	<u>\$ (2,356)</u>	<u>\$ (106,493)</u>

The net assets of the discontinued operations held for disposal included:

	2002		
	Cost	Accumulated Depletion and Write downs	Net Book Value
Petroleum and natural gas properties	\$ 313,356	\$ 313,356	\$ —
Rights to usage of seismic data	1,991,332	1,991,332	—
Total petroleum and natural gas and related assets	<u>\$ 2,304,688</u>	<u>\$ 2,304,688</u>	<u>\$ —</u>

All the net assets of the discontinued operations held for disposal were written off in 2002.

9. Related Party Transactions

- (a) In 1996, the Company signed a joint venture agreement with Pegaz Energy Inc. of which a Director of the Company was a significant shareholder, officer and director. Included in accounts receivable is a net amount of \$Nil (2002 - \$22,150) receivable from Pegaz Energy Inc. for net joint venture accounts receivable.
- (b) In 2003, the Company incurred legal expenses and disbursements of \$264,650 to a law firm in which a director of the Company is a partner. The Company is committed to a minimum \$200,000 per annum fees plus disbursements to this firm in exchange for legal services.

10. Financial Instruments

As disclosed in Note 2(f), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk. The Company manages its exposure to this risk by operating in a manner that minimizes its exposure to the extent practical.

Concentrations of risk

At December 31, 2003 the Company held all of its cash at one financial institution, and as such was exposed to all of the risks of that institution. Management manages this risk by banking with a recognized financial institution. In addition the Company's long term investments were held in two companies, as such, the Company is exposed to concentrations of risk from these companies.

11. Commitments

The Company is committed to leased office premises with future base rent payments as follows:

2004	\$ 100,554
2005	<u>50,277</u>
	<u>\$ 150,831</u>

The Company is also required to pay their proportionate share of operating and property tax costs for the premises.

12. Subsequent Events

- (a) Subsequent to year-end, the Company invested \$100,000 (250,000 shares at \$0.40) in common shares of Contact Exploration Inc., a public entity. The Company also entered into a farmout agreement with Contact Exploration Inc, whereby Overlord has agreed to participate in the drilling of a test oil and gas well (16.67% of the first \$900,000 of expenditures, 10% on costs thereafter). In return, Overlord is to receive a 10% working interest in the lands and title documents.
- (b) On March 8, 2004, the Company invested in a convertible promissory note of Sonomax Hearing Healthcare Inc. The convertible promissory note of \$150,000 bears interest at 10% and comes due on April 1, 2009. The notes are unsecured. The conversion price varies from \$0.85 to \$1.50 based on timing of conversion.
- (c) In November 2003 the Company was contemplating (i) the set up of a venture capital firm; (ii) to be run by the former President and director of the Company. After consideration of the terms and others factors, the Company has decided not to so proceed.

Board of Directors

Marcel Tremblay, Chairman, President & Chief Executive Officer

Mr. Tremblay is the pioneer of the concept of income funds and royalty trusts and was the founder of the Enerplus Group ("Enerplus") in 1985. Initially valued at \$9.1 million, Enerplus' assets were valued at \$2.5 billion when its management company was sold in 2000. Mr. Tremblay has been honoured with many awards for his achievements, including Canada's Entrepreneur of the Year Award (Western Region) in 1997. He has more than 40 years of experience in investment management and the oil and gas industry in Canada. Mr. Tremblay was the President and a Director of Royal Trust Energy Corporation from 1984 to 1985 and a partner and director of Maison Placements Canada Inc. from 1960 – 1973.



Marc-André Élie, Chief Portfolio Manager, President, ARX Capital Inc.

Throughout his 30 year career, Mr. Élie has acquired knowledge and experience in the financial markets and industry. Since 1997, Mr. Élie has been Chief Portfolio Manager and President of ARX Capital Inc., a portfolio management firm devoted exclusively to serving the needs of private investors. Mr. Élie was, from 1986 – 1997, Vice-Chairman of the Board of RBC Dominion Securities Inc. He began his career at Richardson Greenshields Inc. in 1968 and then moved to Molson Rousseau Inc. in 1970 where he became President and Chief Operating Officer until it merged with RBC Dominion Securities Inc. in 1986.



André Bineau, Vice President, Association de bienfaisance et

de retraite des policiers et policiers de la Ville de Montréal

Mr. Bineau is a Chartered Financial Analyst and has 35 years of experience in the investment industry. For the past 16 years, Mr. Bineau has held the position of Vice President, Investments of Association de bienfaisance et de Retraite des policiers et policiers de la Ville de Montréal, a corporation managing the benefits and investments of pension funds totaling over \$3.3 billion. Mr. Bineau serves on several boards and/or investment committees of private and public Canadian corporations. Prior to 1985, Mr. Bineau was Vice President, Investments of a large Quebec-based trust company and, for seven years to 1981, held various responsibilities including that of Director of the Canadian equity department of Caisse de depot et placement du quebec. Mr. Bineau is a graduate of l'Ecole des Hautes Etudes Commerciales and the Faculty of Law of the University of Montreal.



John Burns, Q.C., Partner, Bennett Jones LLP

Mr. Burns is a senior partner with Bennett Jones LLP and has over 30 years of experience in corporate finance and securities law. Mr. Burns' practice focuses on mergers and acquisitions, public and private offerings, corporate restructurings, cross-border financings and oil, gas and banking transactions. Mr. Burns has participated as a Board Member of several public and private corporations. Mr. Burns is a Province of Alberta Appointee to the Dispute Resolution Panel for the Agreement on International Trade. Mr. Burns is also a sitting member of the NASDAQ Listing Qualifications Panel, being a special committee of the Board of Directors of NASDAQ. Mr. Burns was named as one of the top 30 deal makers among corporate lawyers in Canada in a survey compiled by the National Post in 2002. In 2003 Mr. Burns was recognized in Euromoney's IFLR 1000: The Guide to the World's Leading International Business Law Firms, as an expert in capital markets.



Jean Desmarais, Branch Manager and Investment Advisor, Desjardins

From 1997 to 2001, Mr. Desmarais was Investment Advisor for Nesbitt Burns. Prior to his role at Nesbitt Burns, he studied commerce at H.E.C of Université de Montréal. Mr. Desmarais participates in many financing and private placements with the Desjardins Securities Corporate Finance Group. Mr. Desmarais acted as Financial Advisor to many institutional clients as well as large retail investors.

**Jean-Guy Lambert**, President & Chief Executive Officer, Dacha Capital Inc.

Jean-Guy Lambert, MBA, is Chairman, President and Chief Executive Officer of Dacha Capital Inc., a merchant bank. From 1993 to 1996, he was President and Chief Executive Officer of Intermont Inc., an oil and gas corporation. From 1991 to 1993, he acted as financial advisor to Hydro-Québec and from 1968 to 1991 he acted as Portfolio Manager and Vice-President, Pension Funds Investments for a number of large financial institutions. He serves on the Board of a number of public companies listed on the TSX and TSX Ventures Exchanges.

**Michael Fabi, P. Eng.** Vice President, Engineering of

Grey Wolf Exploration Inc.

Mr. Fabi, P. Eng., is Vice President, Engineering of Grey Wolf Exploration Inc., an oil and gas E&P company located in Calgary, Alberta. He has over 22 years of experience in exploitation engineering, evaluations, reserves determination, business development and acquisitions and divestitures. Mr. Fabi has been employed in various technical and management positions for such companies as Andex Oil Ltd., Enron Canada Ltd., DeKalb Energy Canada Ltd., Apache Canada Ltd. and his current employer, Grey Wolf Exploration Inc. Mr. Fabi is a graduate of the University of Alberta with a BSc. in Chemical Engineering and currently holds a Professional Engineer status with APEGGA. He is also an active member of the Society of Petroleum Engineers and the Petroleum Joint Venture Association.



OVERLORD

Corporate Information

Directors

Marcel Tremblay²

Chairman, President & Chief Executive Officer
Overlord Financial
Calgary, Alberta

Marc-Andre Elie^{1,2}

President, ARX Capital Inc.
Montreal, Quebec

Andre Bineau

Vice President
Association de bienfaisance et de retraite
des policiers et policières de la Ville de Montréal
Montreal, Quebec

John Burns, Q.C.^{1,2,3}

Partner, Bennett Jones LLP
Calgary, Alberta

Jean-Guy Lambert³

Chairman, President & Chief Executive Officer,
Dacha Capital Inc.
Montreal, Quebec

Jean Desmarais

Branch Manager & Investment Advisor
Desjardins Securities
Montreal, Quebec

Michael Fabi³

Vice President, Grey Wolf Exploration Inc.
Calgary, Alberta

1 Member of the Audit Committee

2 Member of the Compensation Committee

3 Member of the Corporate Governance Committee

Corporate Office

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Officers

Marcel Tremblay

Chairman, President & CEO

Larry Titley, C.A.

Chief Financial Officer

Derek Byrne, M.B.A.

Vice President

Theresa Devost

Corporate Secretary

Legal Counsel

Bennett Jones LLP

Bankers

TD Bank of Canada

Auditors

BDO Dunwoody

Registrar and Transfer Agent

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be directed to:

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Stock Exchange Listing

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Trading Symbol: "OFI"



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